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Veröffentlichungsversion / Published Version
Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Liuhto, K. (2017). Foreign nationals on the boards of directors of Russia's ten largest non-financial companies investing overseas. *Baltic Region*, 9(4), 33-52. <https://doi.org/10.5922/2079-8555-2017-4-3>

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ECONOMICS



FOREIGN NATIONALS ON THE BOARDS OF DIRECTORS OF RUSSIA'S TEN LARGEST NON-FINANCIAL COMPANIES INVESTING OVERSEAS

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This author analyses the international membership of the boards of directors of Russia's ten largest outbound investors. The data used in the study come from the companies' annual reports and official websites. The information is correct as of February 2017. It is concluded that foreign nationals hold 30% of board seats in Russia's ten largest non-financial companies investing abroad. US, British, and German nationals comprise two-thirds of foreign nationals on the boards of directors. Among the 30 foreign holders of board seats, there is only one citizen of China. Women account for five percent of directors in Russia's ten largest investors overseas. The proportion of female directors in Russia's 50 largest corporations is similar. This suggests that internationalisation of Russian companies has not improved the chances for women to enter boards of directors.

Key words: boards of directors, Russia's top multinational corporations, women on boards of directors, corporate governance, Russian FDI abroad

Introduction

Over four million enterprises are registered in Russia [1]. A considerable part of them is not operating. Despite a significant number of businesses, a rather small number of large companies account for the majority of the Russian GDP, exports and investments abroad. At the beginning of this decade, the Russian outward

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Submitted on March 15, 2017

doi: 10.5922/2079-8555-2017-4-3

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foreign direct investment (FDI¹) stock was \$336 billion, i.e. roughly the same amount as at the end of 2016 (Table 1).

Table 1

Russia's outward FDI stock and annual FDI outflow in selected years²

| | 1995 | 2000 | 2005 | 2010 | 2013 | 2014 | 2015 | 2016 |
|---|-------|--------|---------|---------|---------|---------|---------|---------|
| Russia's outward FDI stock, \$ million | 3,346 | 19,211 | 139,241 | 336,355 | 385,321 | 329,817 | 282,651 | 335,791 |
| Russia's share in the world's outward FDI stock, % | 0.08 | 0.26 | 1.17 | 1.60 | 1.55 | 1.34 | 1.13 | 1.28 |
| Russia's annual FDI outflow, \$ million | 606 | 3,152 | 16,747 | 41,116 | 70,685 | 64,203 | 27,090 | 27,272 |
| Russia's share in the world's annual FDI outflow, % | 0.17 | 0.27 | 1.99 | 2.97 | 5.05 | 5.12 | 1.70 | 1.88 |

Source: [4].

After the escalation of the Ukrainian crisis (2014 — onwards), Russia's outbound FDI flow have withered. There are three main reasons for the decline. Firstly, lower oil prices have caused a lack of capital for new investments. It seems that Russia's FDI outflow follows rather closely fluctuations of oil prices (Fig. 1). Secondly, high interest rates for bank loans (currently over ten percent) make it very expensive to invest either in Russia or outside the country. And finally, the weak exchange rate of the Russian rouble makes foreign investments more expensive than before the substantial weakening of the rouble in the autumn of 2014 (Fig. 2). At the end of 2016, Russian capital represented 1—2 percent of the global outward FDI.

¹ Foreign direct investment (FDI) is defined as an investment by a resident entity in one economy that reflects the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence, by the direct investor, on the management of the enterprise. The ownership of at least ten percent of the voting power, representing the influence by the investor, is the basic criterion used. Hence, control by the foreign investor (ownership of more than 50 percent of the voting power) is not required. In turn, an outward FDI stock is the total foreign direct investment of the reporting economy held abroad [2].

² The figures offered by Bank of Russia, the Central Bank of Russia, differ to some extent from the figures provided by the United Nations Conference on Trade and Development, UNCTAD [3]. The UNCTAD statistics are used in this study, since they offer a longer time period for analysing the Russian FDI abroad. The FDI statistics of the Central Bank of Russia available to the public start from the year 2009.

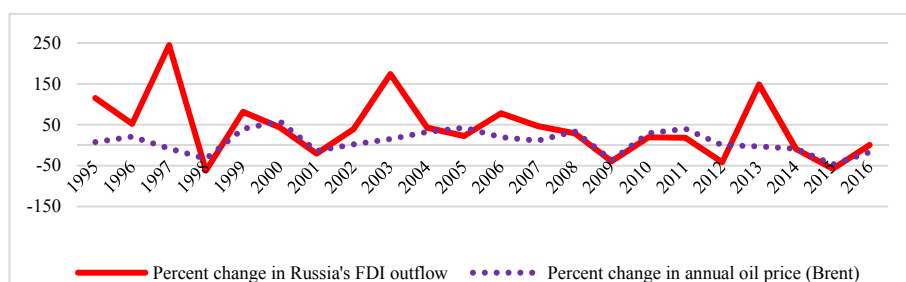


Fig. 1. Annual fluctuations of Russia's FDI outflow and oil price (Brent average annual price)

Sources: [4—5].

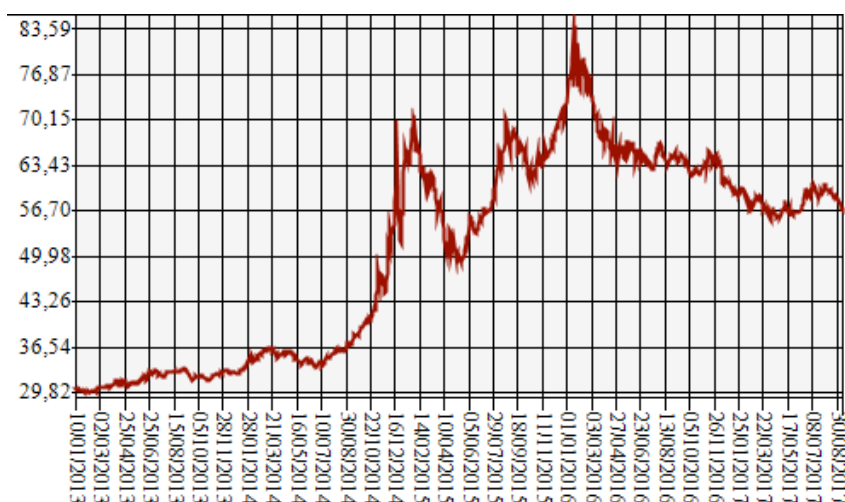


Fig. 2. The value of the Russian Rouble against the US dollar since the beginning of 2013³

Source: [3].

Two-thirds of the Russian total outward FDI landed in the EU, as of the end of 2016. However, one should not take the geographical division of the Russian outward FDI stock too literally, as a big part of the Russian outward FDI does not stay in the first foreign country in which they have been invested. In fact, a substantial share of the Russian outward FDI returns to Russia. As an indication of a gargantuan capital boomerang, one can take the FDI moves between Russia and Cyprus. Cyprus covered over 40 percent of the Russian outward FDI stock, and correspondingly, the Cypriot share in the Russian inward FDI stock was nearly 40 percent, at the end of 2016 [6].

³ Note: when the curve goes up, the exchange rate of the Russian Rouble weakens.

1. The structure and the objective of research

Corporate governance has been a little studied research theme in the context of the Russian outbound FDI [7]⁴. After analysing earlier studies on the relationship between the board composition and outbound FDI in Russia's (Chapter 2.1), the author reviews earlier findings related to the relationship between the board composition and an FDI decision by a company in a non-Russian context (Chapter 2.2). After conducting the literature review, the author analyses foreign members of the boards of directors of Russia's ten leading non-financial corporations in terms of their foreign assets (Chapter 3). A study by A. V. Kuznetsov [10] was extremely useful in identifying these companies (Table 2).

Table 2

**Russia's 10 leading non-financial corporations,
in terms of their foreign assets, in 2014**

| Company, industry | Turnover, \$ billion* | Foreign assets, \$ billion** | Foreign assets/total assets, %** |
|---|--------------------------|------------------------------------|--|
| 1. Gazprom, oil and gas | 133.3 | 36.0 | 13 |
| 2. Lukoil, oil and gas | 98.5 | 32.9 | 29 |
| 3. VimpelCom, telecom | 9.1 | 30.4 | 74 |
| 4. Rosneft, oil and gas | 82.3 | 9.4 | 6 |
| 5. Evraz, metallurgy | 11.9 | 5.3 | 46 |
| 6. Sovcomflot (SFC), maritime transport | 1.0 | 5.3 | 83 |
| 7. Rusal, metallurgy | 8.1 | 2.8 | 19 |
| 8. Russian Railways (RZD), rail transport | 45.7 | 2.8 | 4 |
| 9. TMK, production of metal pipelines | 5.3 | 2.5 | 44 |
| 10. Zarubezhneft, oil and gas | 0.8 | 2.4 | 67 |

The turnover figures were converted from RUR into USD, using the annual average rate of 2014, i. e. RUR 38.6 against USD 1 [12].

Sources: * [11], ** [12, p. 82].

A selection of the ten largest corporations, with the largest assets abroad, does not offer a representative sample, and hence, does not allow us to generalise the findings. Despite this limitation, the method used has its

⁴ Tepavcevic [8] and Liuhto [9] have analysed the relationship between the ownership and the outbound investment of Russian companies. However, none of the aforementioned authors focused on the impact of the board composition on the outward investment of Russia firms.

strengths. We should not forget that the studied companies account for over a third of Russia's total outward FDI stock. To put it differently, even if the selected companies do not form a representative sample, they form an economically purposeful sample [13].

Here, we should acknowledge that companies and their governance structures constantly evolve, and therefore, it needs to be stressed that the author describes the situation as the companies reported it, in their annual reports or on their websites, in February 2017.

In this study, a person who is born outside the USSR and who does not hold Russian citizenship is regarded as a foreigner. The author could detect several persons who have non-Russian citizenship; but, as they were born in the USSR, they have not been classified as foreigners. The aforementioned definition has been created in order to be able to accomplish this research, since the author was unable to verify, whether the persons living outside Russia hold a dual citizenship, i. e. a citizenship of the post-Soviet republic plus a Russian citizenship. The aforementioned definition used in this research should not be regarded as a political statement.

The main objective of this article is to study foreign members on the boards of directors of Russia's ten largest outbound investors.

2. Earlier research on the relations between the board composition and internationalisation with a special focus on foreign nationals in the board of directors

2.1. Earlier research into the Russian context

Ruzhanskaya [14] conducted research on 100 Russian companies operating in the Urals area in 2006. The author found that foreign citizens occupied 1.4 percent of the board seats in the studied enterprises. When the share of foreign citizens on the board of large and small companies was compared, and no major statistical differences were found. Surprisingly, the medium-sized companies studied did not have any foreigners on their board of directors. As the sample was relatively small, one should not draw any firm conclusions on the relationship between the company size and the representation of foreigners in the board of the Russian companies on the basis of the aforementioned work.

Kuznetsov and Chetverikova analysed Russia's 20 most multinational companies in 2008 [15]. They found out that 14 out of the 20 companies studied had foreigners on their board of directors. On average, foreigners occupied nearly 30 percent of the board seats in these 20 companies. It is interesting to observe that the respective share in Russia's ten most multinational enterprises was more or less the same as in the 20 largest outbound investors.



A couple of years later, Kuznetsov continued a relevant study for the purpose of this research [16]. He found that there is notable gender inequality on the board of Russia's 20 largest multinational enterprises. The percentage of women on boards was just five percent. The women representation did not seem to depend on the companies' ownership structure or their field of industry.

To summarise, none of the aforementioned studies concentrated exactly on the theme of this article, i.e. foreign members of the boards of Russia's largest investors overseas. The observations of the studies above may be regarded as side findings, though nevertheless important for this study, since these two aforementioned works offer a historical reference point for the analysis. The author was unable to find any other work focusing on precisely the same theme.

2.2. Earlier research in a non-Russian context

Sanders and Carpenter used several datasets to collect their data on approximately 250 large US firms [17]. They discovered that a large board size was positively associated with internationalisation. Furthermore, the proportion of outsiders on the board was also positively related to a company's degree of internationalisation.

Sherman et al. analysed seven regional US telecommunications companies. They found little information to support the indication that board characteristics were related to a company's internationalisation [18]. Similarly, Lien et al., having analysed over 200 publicly listed companies in Taiwan, concluded that there is only limited statistical support for the impact of board characteristics upon the decision to undertake FDI [19].

Datta et al. used a dataset consisting of almost 400 acquisitions and 200 joint ventures, in the US manufacturing sector [20]. Their findings indicate that companies with boards characterised by a higher proportion of outside directors, independent leadership structures and firms having the positions of Chief Executive Officer (CEO) and Chairman of the Board are more inclined to favour acquisitions over joint ventures, in their foreign market entry. The aforementioned finding is supported by Majocchi and Strange, who found that if the board of a family-owned company has a higher proportion of independent directors, then international diversification is greater [21].

Barroso et al. studied 45 listed Spanish companies [22]. They concluded that the tendency for board members to remain longer on the board of directors has a negative influence on the company's degree of international diversification. Their research findings do not support the hypothesis related to the influence of a board's international background on the company's degree of international diversification. Finally, the authors argue that the most internationalised enterprises require a higher level of education for its members.

Masulis et al. analysed nearly 10,000 US companies, during the period of 1998–2006 [23]. Their findings suggest that companies with foreign in-



dependent directors on their boards make better cross-border acquisitions, when they pursue targets from the home regions of foreign independent directors. They also found that companies with foreign board members pay their CEOs excessively high compensation. On the other hand, they are less responsive to replacing poorly performing CEOs.

Oxelheim et al. surveyed some 350 non-financial Nordic companies during 2001–2008 [24]. The authors found, unsurprisingly, that the nationality of foreign board members tends to match the nationality of foreign owners and the country in which a company cross-lists its shares. The findings also suggest that a foreign strategic owner is associated with the appointment of a foreign board member. Moreover, companies with a higher percentage of foreign sales, more foreign ownership and whose shares are cross-listed on foreign stock exchanges have more internationalised boards of directors. Despite the aforementioned finding, the authors do not claim unidirectional causality, as board internationalisation may drive, as well as be driven by, company internationalisation. Furthermore, scholars argue that board participation by foreign directors is primarily related to financial internationalisation, rather than foreign sales and hence, presumably, to monitoring rather than advisory functions. A large company size is positively linked with the presence of foreign directors, as smaller companies may find it difficult to attract foreign directors to their boards.

Earlier studies indicate that there is ambiguous support for the impact of board characteristics upon either internationalisation, in general, or the FDI decision, in particular. Researchers are not certain about the causality between board composition and internationalisation, as board internationalisation may drive, as well as be driven by a company's internationalisation. Despite the aforementioned ambiguities, some earlier research on foreign board members suggests that there seems to be a connection between foreign ownership, the scope and intensity of foreign business activities and the role of foreigners on the board of directors of the company. It is worth observing that foreign directors more frequently perform a monitoring function rather than that of an advisory role in an enterprise, i.e. foreign board members more often act as financial controllers sent by the foreign owners, rather than as business developers. The author was unable to find any studies focusing on the relationship between participation of female foreign nationals and outbound FDI expansion.

3. Research findings

Thirty foreigners have been admitted to the boards of directors of Russia's ten largest investors abroad. In other words, on average three foreigners operate in each of these enterprises. Even if further studies are required, it might well be that the boards of Russia's largest corporations are more international than those of their counterparts in China or the USA, for instance.



A foreign board member is a more frequent occurrence in Russia's biggest investors abroad than in Russia's largest corporations as a whole. Almost 30 percent of all board seats are occupied by foreigners in the ten enterprises with the biggest assets abroad. The respective share in Russia's 50 largest corporations is 20 percent [25]. This finding implies that there seems to be a correlation between an intensive FDI expansion abroad and a larger foreign representation on the board of directors.

Twelve nationalities can be found in the board rooms of the studied corporations. The American, British and German board directors occupy two thirds of the board seats that foreigners have received in Russia's largest investors abroad. A Chinese board director is still a rarity in Russia's most significant companies. In fact, just one Chinese citizen has found her way onto a board (table 3, fig. 3).

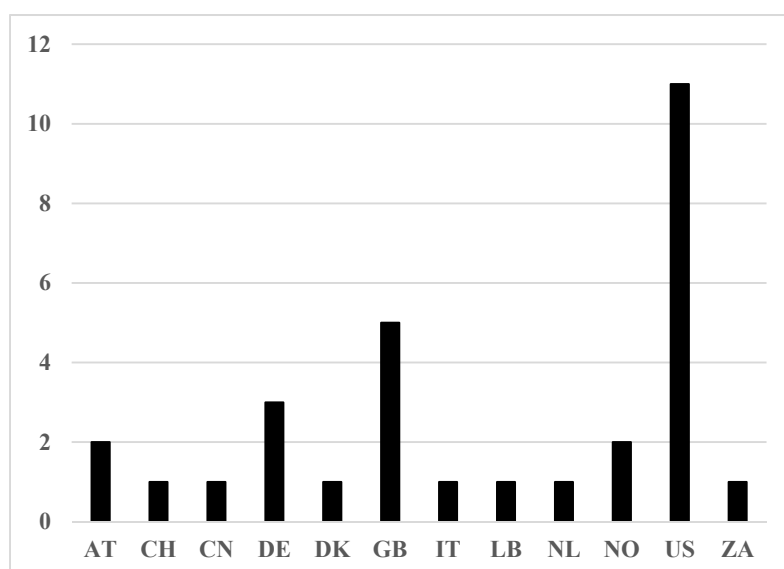


Fig. 3. Number of foreign board directors in Russia's 10 largest non-financial corporations investing overseas (divided by nationality)

Abbreviations: AT = Austria, CH = Switzerland, CN = China, DE = Germany, DK = Denmark, GB = Great Britain, IT = Italy, LB = Lebanon, NL = The Netherlands, NO = Norway, US = The United States of America and ZA = South Africa.

Russia's metallurgical companies have accepted the greatest number (12) of foreigners onto their boards of directors. More than a third of all seats given to foreigners in the studied companies can be found in metallurgy. Metallurgy is followed by the oil and gas sector. Eight foreign board seats are in the oil and gas industry. The American board directors play a visible role in Russia's oil and energy industry. Scandinavians occupy board seats in telecommunications (Table 4).

Table 3

Foreigners in the board of directors of Russia's 10 largest non-financial corporations abroad

| Rank among Russia's largest companies | Company, founding year, headquarters, field of business, main ownership | Turnover 2016 (\$ billion)* | Foreigners/total number of board members, average age of board, female members** | Foreign board members (assumed citizenship), excl. persons born in the ex-USSR** |
|---------------------------------------|---|-----------------------------|--|---|
| 1. | Gazprom, 1989/1993, Moscow, oil and gas, state | 87.4 | 0/11 Average age: nearly 55 years. No female members | No foreigners born outside the ex-USSR |
| 2. | Lukoil, 1991/1993, Moscow, oil and gas, private | 77.2 | 4/10 Average age: 70 years. One female member | Toby Gati (US) , Richard Matzke (US), Roger Munnings (GB), Ivan Pictet (CH) |
| 3. | Rosneft, 1993, Moscow, oil and gas, state | 61.5 | 4/9 Average age: 60 years. No female members | Robert Dudley (US), Donald Humphreys (US), Guillermo Quintero (US), Matthias Warnig (DE) |
| 5. | RZD, 1837/2003, Moscow, rail transport, state | 22.5 | 1/12 Average age: some 52 years. No female members | Hartmut Medorn (DE) |
| 16. | Evraz, 1992, London, metallurgy, private | 8.0 | 3/8 Average age: around 57 years. One female member | Karl Gruber (AT), Deborah Gudgeon (GB) , Michael Peat (GB) |
| 17. | Rusal, 2000, Moscow, metallurgy, private | 7.9 | 9/18 Average age: some 53 years. Four female members | Mark Garber (US), Ivan Glasenberg (ZA), Philip Lader (US), Marco Musetti (IT), Elsie Leung Oi-Sie (CN) , Matthias Warnig (DE), Siegfried Wolf (AT), Daniel Lessin Wolfe (US), Bernard Zonneveld (NL) |

| Rank among Russia's largest companies | Company, founding year, headquarters, field of business, main ownership | Turnover 2016 (\$ billion)* | Foreigners/total number of board members, average age of board, female members** | Foreign board members (assumed citizenship), excl. persons born in the ex-USSR** |
|---------------------------------------|---|-----------------------------|--|--|
| 27. | VimpelCom, 1992, Amsterdam, telecom, private | 5.6 | 5/9 Average age: 53 years. No female members | Gennady Gazin (US), Gunnar Holt (NO), Julian Horn-Smith (GB), Jørn Jensen (DK), Nils Katla (NO) |
| 47. | TMK, 2001, Moscow, production of metal pipelines, private | 3.8 | 2/12 Average age: 55 years No female members | Peter O'Brien (US), Robert Foresman (US) |
| 124. | Sovcomflot, 1973/1988, St. Petersburg, transportation, state | 1.4 | 2/9 Average age: Some 59 years. No female members | Walid Chammah (LB), David Moorhouse (GB) |
| 353. | Zarubeshneft, 1967, Moscow, oil and gas, state | 0.4 | 0/7 Average age: 54—55 years. No female members | No foreigners born outside the ex-USSR |
| Total 10 | | 275.7 | 30/105 (28.6 %)* | — |

The majority of Russia's ten biggest outward investors can be found among the country's largest corporations. Foreign female board members have been marked in bold, in the table above. The turnover figures were converted from RUR into USD, with an annual average rate from 2016, i. e. RUR 67.0 against USD 1 [12].

Source: * [11]; ** company websites.

Table 4

**Foreign board directors in Russia's ten non-financial corporations abroad
(divided by industry and turnover)**

| Industry/turnover | Below \$5 billion | \$5—10 billion | Over \$10 billion |
|-----------------------------------|-------------------------------|---|--|
| Oil and gas (8) | — | — | <i>Total: 8</i> 5 US, 1 CH, 1 DE, 1 GB |
| Transport & logistics (3) | <i>Total: 2</i> 1 GB, 1 LB | — | <i>Total: 1</i> 1 DE |
| Metallurgy (12) | — | <i>Total: 12</i> 3 US, 2 AT, 2 GB, 1 ZA, 1 CN, 1 DE, 1 IT, 1 NL | — |
| Telecommunications (5) | — | <i>Total: 5</i> 2 NO, 1 DK, 1 GB, 1 US | — |
| Production of metal pipelines (2) | <i>Total: 2</i> 2 US | — | — |
| <i>Grand total (30)</i> | (4) | (17) | (9) |

Abbreviations: AT = Austria, CH = Switzerland, CN = China, DE = Germany, DK = Denmark, GB = Great Britain, IT = Italy, LB = Lebanon, NL = The Netherlands, NO = Norway, US = The United States of America and ZA = South Africa.

In the following part of the article, the internationalisation and the board composition of Russia's ten biggest companies investing overseas are analysed case by case. The analysis begins with Gazprom, Russia's biggest investor abroad. At the end of 2014, the total value of Gazprom's foreign assets reached \$36 billion, meaning that its foreign assets accounted for 13 per cent of the corporation's total assets [10]. The majority of Gazprom is owned by the Russian State. In 2016, nearly 220 billion cubic meters of Gazprom's gas was exported, i.e. more than a half of the corporation's gas production. Since the export price for natural gas is higher than the domestic gas price in Russia, Gazprom received nearly three-quarters of its revenues from its exports. Gazprom has a presence in most European countries. In addition to Europe, Gazprom has established its presence in Africa, the Americas and Asia [26].

Viktor Zubkov, the Prime Minister of Russia in 2007—2008, acts as Chairman of the Gazprom Board. In addition to the former Prime Minister, the Minister of Energy, Alexander Novak, and the Minister of Economic Development, Alexey Ulyukaev, secure the functioning government relations of the corporation¹. None of the 11 board members of Gazprom can be

¹ Alexey Ulyukaev was arrested in mid-November 2016 for corruption [32]. The corruption allegation is not linked to Gazprom, but a possible bribe from Rosneft [33].



considered foreigners, according to the classification of a foreigner used in this study (see Chapter 1). On the other hand, the board has established a close connection to the Kazakh President, since one of Gazprom's Board Members previously served as a part-time advisor to the president of Kazakhstan². Dmitry Patrushev, a son of Nikolai Patrushev, the former head of the FSB and head of the Russian Federation Security Council, joined the Gazprom Board of Directors in 2016 [27; 28].

The board members' educational background is mainly Russia since the majority of board members studied at Russia's top universities. Only one of the board members reported that he had studied abroad and only one of the board members worked in a foreign company based outside the former USSR. Around half of the board members have a personal, educational or professional connection to St. Petersburg (Leningrad), the city Russia's President Vladimir Putin comes from.

Taking into account the huge corporate responsibility, the average age of the board is surprisingly young (55 years), the oldest member being 75 years old and the youngest one being under 40 years. The board of Gazprom is highly masculine since no female directors acted as a member of the board at the beginning of 2017 [27].

Lukoil is Russia's second most multinational enterprise. The corporation's first international operation took place in Azerbaijan in 1994. Now, the company is present in over 30 countries. In 2016, almost 15 percent of the corporation's production took place outside Russia [29]. Lukoil's foreign assets are valued at more than \$30 billion and they cover nearly 30 percent of the company's total assets, indicating that the corporation is both committed to international operations and highly dependent on them [10].

The Lukoil Board has 10 members. Two of the Russian board members worked as a deputy minister in the Soviet ministry of energy. One of them, Vagit Alekperov, managed to collect an extraordinarily huge ownership stake in the company (over 20 percent). In addition, Igor Ivanov, Russia's Minister of Foreign Affairs (1998—2004) and Secretary of the Security Council (2004—2007) brings government knowledge to the board.

The company's 2015 annual report reveals that the Russian board members have not extensively studied abroad and their international work experience is surprisingly scarce. The average age of the board (70 years) is even more surprising since oil business is generally regarded as a dynamic business field. Chairman of the Lukoil Board will celebrate his 90th birthday this decade [29—31]. Such a board age structure does not necessarily give an impression of experience and dynamism, but rather an impression of old age and immobility.

Foreigners occupy 40 percent of the Lukoil Board seats: two Americans, one Briton, and one Suisse have managed to acquire board seats. Interesting-

² Timur Askarovich Kulibaev holds Kazakh citizenship, but as he was born in Almaty, the Soviet Republic of Kazakhstan, he is not regarded as a foreigner in this study. Kulibaev is the son-in-law of Kazakh President Nursultan Nazarbaev [34]. In addition to Kulibaev, Alexander Novak was born outside the Russian Federation, namely in the Soviet Republic of Ukraine [26].

ly, only one of the foreigners can be considered as a heavyweight in the international oil business, which shows that business experience has not been the main criterion for choosing foreign board members. This may indicate that foreign Lukoil directors exercise a controlling function rather than have an advisory role in the board. On the other hand, foreign directors have good connections with business circles in their own countries. For example, foreign board members have memberships in their national chambers of commerce, business associations and clubs linked to Russia that allows them to influence the image of Russia back home. One female director has found her way into this masculine field of business [31].

Although VimpelCom's headquarters are currently located in the Netherlands and the principal owner is nominally from Luxembourg, the company can still be regarded as Russian, since it is controlled by Russia's second-richest oligarch, Mikhail Fridman [34]. The corporation has over 200 million customers in over ten countries. Russia is the main clientele base, with nearly 60 million customers. In 2014, VimpelCom's assets abroad were valued at \$30 billion and three-quarters of the company's assets were located outside Russia [10]. When VimpelCom's skyrocketing internationalisation is assessed, it needs to be remembered that the company's foreign expansion only began in 2004, when VimpelCom entered the Kazakh market [35].

Five out of nine VimpelCom board members are foreigners and they are mainly from Scandinavia. The ownership of Telenor, a Norwegian telecom, explains such a large representation of Scandinavians on the VimpelCom Board. Four Russians serve as supervisory board members, of whom one is its chairman. Mikhail Fridman holds a board seat in the company as well.

The board members have received their education in some of the most respected educational institutions of Europe and the USA. Their formal experience related to either the Russian Government or other national governments is rather narrow. Only one board member reported that he had worked in a Norwegian ministry. When assessing this member's government experience, it became clear that his ministerial career dates back to the end of the 1970's and the 1980's, and it is not in the field of telecommunications. Despite the shortage of government experience, vis-à-vis the Russian Government, one may assume that Mikhail Fridman, a Russian billionaire and a board member, possesses functional relations with the Russian political leadership.

The VimpelCom board is relatively young: the average age of the supervisory board is just 53 years. Such a young age is a comparative advantage in a highly dynamic field of business. No females have entered the VimpelCom board, as yet [36].

Rosneft was a domestic market-oriented corporation, until the early years of this millennium, but its international expansion has sped up since then. As a result of this internationalisation, the company has established its substantial presence in over 20 countries [37]. Despite top management's growing interest in foreign expansion, Rosneft has only lightly invested outside Russia. The group's foreign assets are valued at less than \$10 billion and just six percent of the enterprise's total assets were located abroad [10].



Rosneft Board has nine members, with an average age of 60 years. No females have been accepted to the board of directors. Four board directors are foreigners: three US citizens and a German. None of the Russian board members reported that they had studied abroad and only one provided information about international work experience.

The board seems to be well connected with the Russian president, as the chairman of the board is an assistant to the Russian president. Besides, Igor Sechin, Rosneft's Vice-Chairman, presumably is rather close to the Russian president, since he acted as deputy head of the executive office of the Russian president in 2000—2008, and later he was deputy prime minister until 2012. Moreover, the incumbent Russian minister of energy holds a seat on the board. Another influential personality, Andrey Akimov, who is a member of Gazprom Board, needs to be mentioned here. The German board member Matthias Warnig, Managing Director of Nord Stream 2, is another noteworthy personality. BP, in turn, has added its president to Rosneft Board. A former senior director of ExxonMobil also holds a seat [38].

The headquarters of Evraz have been located in London for a decade. Despite the location of its headquarters in Great Britain, Evraz can be classified as a Russian-controlled metal company, as approximately 80 percent of its share capital is held by Russian tycoons [34; 39]. The company started its expansion abroad in 2005. Now, Evraz is present in eight countries: Canada, the Czech Republic, Italy, Kazakhstan, Switzerland, Ukraine, the United Kingdom and the USA. At the end of 2014, Evraz foreign assets totalled \$5 billion, which is nearly half of the corporation's total asset value [10]. Despite the fact that the main metal deposits of Evraz are located in Russia, the large share of foreign sales and foreign assets makes the company highly dependent on foreign markets.

Evraz Board consists of eight members, whose average age is 57 years. Since the company is private, the owners has probably decided to avoid having high-level civil servants. In other words, the board consists more of business-minded directors than of government-sent supervisors. Three out of eight of its board members are foreign nationals. Two come from Great Britain and the third board member is from Austria. Only woman sits on Evraz Board [39].

Sovcomflot (SCF) has nearly 150 vessels, with a total deadweight of 12 million tonnes. The company's oil tankers cover over 90 percent of these deadweight tonnes [40]. SCF foreign assets exceed 80 percent of the company's total assets, which gives a clear indication that flagging ships overseas plays an elementary role in the overall internationalisation of Sovcomflot [10]. Tax planning is probably behind the flagging of the ships abroad.

SFC has nine board members, the average age of whom is 59 years. The chairman of the board previously acted as a representative of the Russian president for the North-West Federal District and three of the board members have previously served as deputy ministers in the Russian government. It is interesting to note that two SCF board members are also members of Zarubezhneft, Russia's tenth biggest investor abroad. None of the directors on the board is women [41].

Two of SFC's directors are foreign nationals, one being a Briton and the other is a Lebanese citizen with a close connection to US business circles. Previously, the British citizen was involved with Lloyd's Register and the Lebanese citizen worked for Morgan Stanley. Thus, these foreign board members bring to the Sovcomflot Board additional expertise on international shipping and international finance.

Rusal's internationalisation began in 2002, when the company acquired a foil mill in Armenia and a mining complex in Guinea. By now, the company has established its business presence in a dozen foreign countries, namely Armenia, Australia, China, Guinea, Guyana, Ireland, Italy, Jamaica, Kazakhstan, Nigeria, Sweden and Ukraine [42]. The value of Rusal's foreign assets was estimated to have reached almost \$3 billion, as of the end of 2014 [10]. Rusal has an amazingly large board of 18 directors. Rusal Board size is approximately twice as large as the average board size in companies of a similar size. The average age of the Rusal Board is 53 years. As the metal business is regarded as a male dominated business, it is surprising to encounter four women on the board, with one of them being a foreigner.

None of the Russian board members have served in the Russian Government. Should the Russian board members lack government experience, some foreign board members have had formal links to the governmental structures within their countries, such as Philip Lader, former White House deputy chief of staff, and Elsie Leung Oi-Sie, a committee member of the National People's Congress of China. Another influential foreign board member should be mentioned here: Matthias Warnig, the German managing director of Gazprom-controlled Nord Stream 2, is a board member of Rosneft and Transneft [43].

Russian Railways (RZD) currently carries passengers to 30 countries in Europe and Asia [44]. The foreign assets of RZD totalled approximately \$3 billion, as of the end of 2014, representing four percent of the RZD total assets [10]. The company's 12-member board is led by the incumbent deputy prime minister. In addition to the deputy prime minister, the company has substantial government experience, as Russia's ex-prime minister, two deputy ministers and a former deputy minister sit on the board. In other words, almost half of the RZD Board has some sort of ministerial experience. Despite such a wide ministerial praxis, the average age of the board is surprisingly low, i.e. approximately 52 years. No females have gained membership on the RZD Board. Several board members have studied at the world's leading universities, such as Harvard Business School, Stanford University and Wharton School of Business. Although several board members have studied abroad and have gained international work experience, one may conclude that the board's knowledge in international business is somewhat narrow. Hartmut Medorn is one of RZD foreign board members. Until May 2009, Hartmut Medorn served as CEO of Deutsche Bahn, Germany's largest railway company. He is clearly the oldest board member at Russian Railways. Medorn celebrated his 75th birthday in July 2017 [45].

TMK is a privately-owned producer of metal pipelines. The exports formed nearly 30 percent of the company's total revenues, in 2016. In 2006,

the company started its foreign production in Romania. Currently, TMK operates in Canada, Kazakhstan, Oman, Romania and the USA (TMK 2017a). The enterprise's foreign assets were valued at \$2.5 billion, at the end of 2014, representing over 40 percent of its total assets [10].

The TMK board consists of 12 members. The average age of the board members is 55 years. No females have received a seat on the board. Even if the TMK Board has been built around professionalism, two former ministers have received a seat on the board. These two board members are unique personalities since they have also gained broad business experience. One of them is the president of the Russian Union of Industrialists and Entrepreneurs and the other one is the chairman of Rusnano.

Two foreigners have entered the TMK Board. Both are US citizens and are highly experienced in international finance and doing business in Russia. It is rather peculiar that one of the foreign directors has previously served as press officer for the US Treasury Department [47].

Zarubezhneft currently has assets in Belarus, Bosnia and Herzegovina, Cuba, and Vietnam [48]. The value of these foreign assets was \$2.4 billion, at the end of 2014. The foreign operations are of strategic importance to Zarubezhneft, as two-thirds of the enterprise's assets are located abroad [10].

The board of directors consists of seven directors. As the chairman is a former FSB heavyweight, it is no surprise to see foreigners on the board of Zarubezhneft. In addition to the security connection, board members also possess ministerial experience and broad knowledge of the oil business. Some of the board members were educated in the leading educational institutions of Russia and Western Europe. In spite of modern corporate governance ingredients and the relatively young age of the board (approximately 55 years), the current operations of Zarubezhneft are, to some extent, still shadowed by the historic burden of secrecy [49].

To sum up, the board size of Russia's ten largest non-financial companies investing abroad varies from seven to 18 members, the average being 10.5. The lowest average age of board members in Russia's ten biggest companies investing overseas, was 52 years old, while the highest was 70 years old. Surprisingly, the lowest average age was in the state-owned Russian Railways and the highest average age was in the privately driven oil company, Lukoil. It is interesting to note that the foreign board members were often older than the average age of their board. The average age of the foreign board members, in Russia's ten biggest investors abroad, was 62 years. By selecting older foreigners for their boards, the Russian corporations may receive more experience, but whether or not they also receive the necessary dynamism and the latest corporate governance know-how is already a debatable issue.

Three out of Russia's ten biggest investors abroad have invited at least one woman onto their board. One can find six female board members in Russia's ten biggest investors abroad. Three of these female directors were foreign citizens and another three Russians, which means that females occupy around five percent of the board seats in Russia's ten biggest companies

investing outside the country. The situation for female directors in Russia's 50 largest corporations is, more or less, the same, i.e. six percent [25]. The aforementioned finding indicates that the internationalisation of Russian companies has not improved the chances for women to enter the board of directors, and hence, it can be concluded that Russia is still a rather masculine working environment. However, Russia is not an exemption, when we approach gender equality, from a global perspective.

4. Discussion

The boards of Russia's ten largest corporations investing overseas are more international than generally believed, 30 percent of board members are foreigners, born outside the former USSR³. The respective share is 20 percent in Russia's 50 largest corporations [25]. The aforementioned finding is in line with the results of Oxelheim et al. [24], who argued that there is a correlation between an outward FDI activity and the internalisation of the boards. In order to verify whether the outbound investments have caused the board internationalisation or vice versa, the entry dates of the foreign board members and the timing of the main FDI deals should be investigated. Even if further studies are required, in all likelihood the outward FDI was the driver for board internationalisation in the Russian context and not vice versa.

This research suggests that foreign board members exercise both a monitoring function and an advisory function in the Russian corporations. In other words, foreign board members act as both foreign owners' watchdogs and as the Russian owners' business advisors. In addition to these two conventional roles, some foreign board members, due to their political background, may be used for an unofficial dialogue between Russia and foreign governments or they can act as unofficial foreign spokesmen of the company outside Russia. The penetration of Russian security organs into the corporate governance of some of the studied corporations creates some suspicion over the aforementioned dialogue. Further investigation is needed, in this field of research.

One can find as many state-owned enterprises in Russia's ten biggest investors abroad as in private companies. Thus, industry membership, i.e. the field of a company's operation, may explain the outward FDI expansion more than the corporate governance characteristics do.

Women occupy around five percent of the board seats in Russia's ten largest outward investing companies. The share of female directors in Russia's 50 largest corporations is more or less the same [25]. This finding implies that the internationalisation of Russian companies has not improved the chances for women to enter the board of directors. It is interesting to note that the share of women in 2016 is exactly the same as five years earlier [16]⁴.

³ The share of foreigners has not changed between 2008 and 2016 [15].

⁴ In 2015, the share of women in 3,000 global companies is nearly three times larger than in Russia, i.e. approximately 15 percent [50].

The American, British and German board directors occupy two thirds of the board seats that foreigners have in Russia's largest investors abroad. A Chinese board director is still a rarity in Russia's most significant companies. It would be especially interesting to monitor how the number of the Chinese board members in Russia's most significant enterprises changes in the future.

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To cite this article:

Liuhto K. 2017, Foreign nationals on the Boards of Directors of Russia's Ten Largest Non-Financial Companies Investing Overseas, *Balt. Reg.*, Vol. 9, no. 4, p. 33—52. doi: 10.5922/2079-8555-2017-4-3.